Diversion of funds by Andhra Bank

1984. SHRIMATI KAMLA SINHA:
DR. BAPU KALDATE:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that diversion of Rs. 400 crore of surplus public sector funds to an investment company by the Andhra Bank was, recently, inquired into by his Ministry; and

(b) if so, what are the details thereof stating the outcome of the inquiry and the action taken or proposed to be taken by Government in the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) and (b) The Committee set up by Reserve Bank of India under the Chairmanship of Shri R. Janakiraman, Deputy Governor, RBI to enquire into the possible irregularities in funds management by commercial banks and financial institutions has also enquired into the transactions of Andhra Bank Financial Services Ltd. (ABFSL), a subsidiary of Andhra Bank. In its second interim report, the Committee has given the undernoted findings in regard to the transactions of ABFSL:

(i) The Company had received a total amount of Rs. 499.07 crores from institutions for investment (Rs 130.23 crores) and Inter-corporate deposits (Rs. 368.84 crores).

(ii) The Company used the funds to purchase securities on a ready forward basis. The particulars of the counter-party from whom the purchases were made, the amount of the contracts and the securities held by the company are given below:

(Rs. in crores)

Counter-party	Amount of re-purchase commitments	@Value of securities held
Fairgrowth Financial Services Ltd. (FGFSL), Bombay	75.42	50.91
FGFSL, Bangalore	164.60	215.12
	240.02	266.03
Hiten P. Dalal	140.71	156.87
National Housing Bank	24.46	24.46
M/s. V.B. Desai	40.00	40.00
Canfina	8.82*	8.82*
Others	2.90	3.00
	456.91	499.18

Notes: @ The above value has been determined in the books of ABFSL taking bonds at face value and the Units at Rs. 15.50 per Unit, However the actual realisable value will be lower.

* Since adjusted.

(iii) During the investigations it was observed that some of the securities held by the company against the dues of Fairgrowth Financial Services Ltd. (FGFSL) do not appear to be genuine.

(iv) The effective security held by the Company against its exposure to FGFSL comprises only of bonds of the face value of Rs. 42 crores. At an estimated value of Rs. 80 per bond of the face value of Rs. 100, the realisable value will come to Rs. 33.60 crores, thus leaving a shortfall of Rs. 206.42 crores. The Company has advised that it has obtained additional security of estimated market value Rs. 101.59 crores. This would reduce the shortfall in security to Rs. 104.83 crores. Investigations are in progress.

Selling of arms by customs official in the black market

1985. DR. BAPU KALDATE:
SHRIMATI KAMLA SINHA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that with the reversal of the earlier policy to hand over the confiscated arms to the treasury, customs officials are permitted to buy the confiscated weapons at a price less than their cost;

(b) if so, what is the nature of the confiscated weapons bought by the customs officials so far and what are the reasons for selling these weapons to them at a price less than their cost;

(c) whether Government are aware that the weapons sold to customs officials find their way into the market and are sold at a high premium;

(d) if so, whether Government have made any enquiry in this regard;

(e) if so, what are the details thereof; and

(f) what measures have been taken to prohibit selling of these arms in black by the customs officials?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) with effect from October 1987 confiscated non-prohibited bore weapons are in suitable cases, being loaned to Customs and Central Excise officials, who require them for self-protection in the course of their work on condition that the weapon is returned by the officers to the Department when no longer required or in any case on their retirement|superannuation.

(b) to (f) Information is being collected and will be laid on the Table of the House.

Proposal to convert IDBI into a company

1986. SHRI ASHIS SEN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Industrial Development Bank of India is a profit-making institution;

(b) what were its profits during the last three years;

(c) whether there is any proposal under Government's consideration to convert IDBI into a company under the Companies Act as against its present status of a Corporation; and

(d) if so, what is the manner in which the shares are proposed to be disinvested?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) Yes, Sir.

(b) The profit earned by the Industrial Development Bank of India